



SAMPLE CASH COUNTY SOLID WASTE MANAGEMENT COMMISSION

**INDEPENDENT AUDITOR'S REPORTS
FINANACIAL STATEMENT AND
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2005

Office of
**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State





OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0004

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Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client. This sample is prepared based on an Association providing solid waste services on the basis of an agreement between several municipalities and a county government, as provided in Chapter 28E of the Code of Iowa.

Audits of solid waste commissions should be performed in accordance with U.S. generally accepted auditing standards, standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Beginning with audits for the fiscal year ended June 30, 2005, references to Chapter 11 of the Code of Iowa in the Independent Auditor's Report (1) on the financial statements and (2) on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards are no longer required. We have determined the Chapter 11 audit requirements are met through the application of generally accepted auditing standards and Government Auditing Standards. This change does NOT affect the audit procedures to be applied in auditing compliance with the requirements of Chapter 11, such as review of internal control and testing of transactions for compliance. This is only a change in reporting.

This sample report has been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Reports for landfills with financial statements prepared in accordance with U.S. generally accepted accounting principles should conform to guidelines provided in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board.

The format displays the basic financial statement and the Schedule of Findings which are necessary to meet the requirements of this office. The detail presented in the financial statement is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the commission feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information so be shown as well as the footnotes to be presented.

Entities with \$500,000 or more of federal expenditures are required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Any questions concerning Single Audit requirements should be directed to the Commission's cognizant or oversight agency.

In accordance with OMB Circular A-133, one copy of the reporting package and Data Collection Form shall be submitted within 30 days after issuance of the audit report to a central clearinghouse. The Data Collection Form is available by calling 1-800-253-0696 (Form number SF-SAC) or on the Federal Audit Clearinghouse (FAC) website at <http://harvester.census.gov/sac>. Auditees are encouraged to use the on-line Internet submission option available on the FAC website. Submission of the on-line Internet Form SF-SAC will require the user to submit a hard copy of the final form with the auditee and auditor signatures. Additional copies of the reporting package or notifications of audit should be submitted to the central clearinghouse or to grantor pass-through entities in accordance with the filing requirements of the Circular.

The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. Reporting packages should be submitted to:

Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

Reports, including the management letter(s) if issued separately, are to be filed with our office within nine months following the end of the fiscal year subject to audit. However, reports should be filed with this office upon release to the commission. The per diem audit billing (including fee, expenses and hours) should be submitted with the reports filed with our office.

Public access to reports issued by the Auditor of State and by CPA firms will be available through the internet. To allow this, you should submit an electronic copy of each FY2005 audit report, in PDF format, to our office in addition to the two paper copies submitted. The PDF files should be e-mailed to submitreports@auditor.state.ia.us. If you are unable to e-mail the file, you may mail a CD containing the PDF file to our office. You may direct any questions about submitting the electronic copy of the audit reports to the above e-mail address.

As required by Chapter 11 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the commission for the notification. We have developed a standard news release to be used for this purpose. The news release may be completed by the commission and a copy should be sent to this office with the two copies of the audit report sent by the CPA firm. We will make a copy of the audit report and news release available to the news media in this office.

In accordance with Chapter 11 of the Code of Iowa, this office is to be notified immediately regarding any suspected embezzlement or theft.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments and related entities. Together, we are able to provide a significant benefit to all taxpayers in the state.

DAVID A. VAUDT, CPA
Auditor of State

Sample Cash County Solid Waste Management Commission

Outline of Major Changes

- A. Issued an entirely new sample report to incorporate various updates.
- B. Updated Independent Auditor's Report and Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
- C. Updated comment 7 on page 24.

Additional Notes

- 1. If the Landfill Commission has deposits in credit unions at June 30, 2005, Note 2 should be modified to indicate whether the deposits were covered by federal depository insurance, collateralized with securities or letters of credit held by the Commission or the Commission's agent in the Commission's name or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.



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NEWS RELEASE

Contact:

FOR RELEASE _____

Auditor of State David A. Vaudt today released an audit report on the Sample Cash County Solid Waste Management Commission.

The Commission had total receipts of \$_____ for the year ended June 30, 2005, a(n) __ percent increase (decrease) from 2004. The receipts included solid waste fees of \$_____, city assessments of \$_____ and recycling grants of \$_____.

Disbursements for the year totaled \$_____, a(n) __ percent increase (decrease) from the prior year, and included \$_____ for _____, \$_____ for _____ and \$_____ for _____.

The significant increase (decrease) in receipts/disbursements is due primarily to _____.

A copy of the audit report is available for review in the Office of Auditor of State and the Anywhere County Auditor's office.

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SAMPLE CASH COUNTY SOLID WASTE MANAGEMENT COMMISSION

INDEPENDENT AUDITOR'S REPORTS

FINANCIAL STATEMENT AND REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FINDINGS

JUNE 30, 2005

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Sample Cash County Solid Waste Management Commission

Officials

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Dwight Lewis	Chairperson	Anywhere County
Carroll Jensen	Vice Chairperson	City of One
Glen Schmitz	Member	City of Two
Leon Collins	Member	City of Three
Eileen Johnson	Member	City of Four
Melvin Green	Member	City of Five
Sarah Fiddelke	Member	City of Six
Jay Bird	Member	City of Seven
Tom Wright	Member	City of Eight
Leslie Carson	Director	

Sample Cash County Solid Waste Management Commission



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Independent Auditor's Report

To the Members of the Sample Cash County Solid Waste Management Commission:

We have audited the accompanying financial statement of the Sample Cash County Solid Waste Management Commission as of and for the year ended June 30, 2005. This financial statement is the responsibility of the Commission's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, this financial statement is prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Sample Cash County Solid Waste Management Commission as of June 30, 2005, and the changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2005 on our consideration of the Sample Cash County Solid Waste Management Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 7 through 9 is not a required part of the financial statement, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

DAVID A. VAUDT, CPA
Auditor of State

September 20, 2005

Sample Cash County Solid Waste Management Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Sample Cash County Solid Waste Management Commission provides this Management's Discussion and Analysis of its financial statement. This narrative overview and analysis of the financial activities of Sample Cash County Solid Waste Management Commission is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the Commission's financial statement, which follows.

2005 FINANCIAL HIGHLIGHTS

- ◆ Operating receipts increased 25%, or approximately \$134,000, from fiscal 2004 to fiscal 2005.
- ◆ Operating disbursements increased 10%, or approximately \$54,000, from fiscal 2004 to fiscal 2005.
- ◆ Cash basis net assets decreased 23%, or approximately \$223,000, from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

The Commission has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis are intended to serve as an introduction to the financial statement. The annual report consists of the financial statement and other information, as follows:

- Management's Discussion and Analysis introduces the financial statement and provides an analytical overview of the Commission's financial activities.
- The Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statement provide additional information essential to a full understanding of the data provided in the financial statement.

FINANCIAL ANALYSIS OF THE COMMISSION

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets

The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Commission's cash basis financial position by analyzing the increase and decrease in cash basis net assets.

Operating receipts are received for gate fees from accepting solid waste and assessments from the members of the Commission. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases and capital projects. A summary of cash receipts, disbursements and changes in cash basis net assets for the years ended June 30, 2005 and June 30, 2004 are presented below:

Changes in Cash Basis Net Assets		
	Year ended June 30,	
	2005	2004
Operating receipts:		
Solid waste fees	\$ 565,639	494,143
City assessments	25,356	18,856
Recycling grants	59,740	5,811
Recycling sales	13,464	15,075
Miscellaneous	5,193	1,563
Total operating receipts	669,392	535,448
Operating disbursements:		
Solid waste contractor	272,880	286,574
Building and grounds	-	424
Closure	89,017	-
Other	214,091	234,777
Total operating disbursements	575,988	521,775
Excess of operating receipts over operating disbursements	93,404	13,673
Non-operating receipts (disbursements):		
Interest on investments	17,824	9,198
Recycling collection center equipment	(35,962)	-
Building and grounds	(298,744)	-
Net non-operating receipts (disbursements)	(316,882)	9,198
Net change in cash basis net assets	(223,478)	22,871
Cash basis net assets beginning of year	973,296	950,425
Cash basis net assets end of year	\$ 749,818	973,296

In fiscal 2005, operating receipts increased by \$133,944, or 25%, over fiscal 2004. The increase was primarily a result of solid waste fees increasing by \$71,496 due to an increase in tipping fees, member contributions increasing by \$6,500 and grant income increasing by \$53,929. In fiscal 2005, operating disbursements increased by \$54,213, or 10%, from fiscal 2004. The increase in disbursements was primarily due to construction projects, including closure of 5 acres and the installation of a leachate lagoon and toe drain system.

A portion of the Commission's net assets, \$324,120 (43%), is restricted for closure and postclosure care. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining net assets, \$425,698 (57%), are unrestricted net assets that can be used to meet the Commission's obligations as they come due. Restricted net assets increased \$16,187, or 5%, during the year. The increase was due to additional funds set aside for closure and postclosure care. Unrestricted net assets decreased \$239,665, or 36%, during the year due to construction projects completed during this time.

LONG-TERM DEBT

At June 30, 2005, the Commission had no long term debt outstanding.

ECONOMIC FACTORS

The financial position of the Commission did not improve in the current fiscal year as construction projects decreased net assets. The current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities that may potentially become challenges for the Commission to meet are:

- ◆ Facilities require constant maintenance and upkeep.
- ◆ The likely 2007 deadline for all of Iowa's landfills to become Subtitle D compliant, which means the Commission will need to close the present landfill cell and build a new compliant cell or send solid waste elsewhere.
- ◆ Technology continues to expand and current technology becomes outdated, presenting an on going challenge to maintain up to date technology at a reasonable cost.
- ◆ Annual deposits required to be made to closure and postclosure accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The Commission anticipates the current fiscal year will be one of transition as it makes important decisions regarding the future of solid waste in this planning area.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Sample Cash County Solid Waste Management Commission, P.O. Box 000, Anywhere, Iowa 50000.

**Sample Cash County Solid Waste Management
Commission**

Financial Statement

Exhibit A

Sample Cash County Solid Waste Management Commission

Statement of Cash Receipts, Disbursements and
Changes in Cash Basis Net Assets

Year ended June 30, 2005

Operating receipts:	
Solid waste fees	\$ 565,639
City assessments	25,356
Recycling grants	59,740
Recycling sales	13,464
Miscellaneous	5,193
Total operating receipts	<u>669,392</u>
Operating disbursements:	
Salaries and benefits	41,962
Solid waste contractor	272,880
Iowa Department of Natural Resources tonnage fee	28,805
Regulatory assistance/engineering	13,325
Tire disposal	1,384
Recycling	53,008
Equipment maintenance	9,172
Ground water monitoring/inspecting	20,739
Road gravel	9,417
Legal, accounting and auditing	5,568
Office equipment and supplies	5,810
Utilities	3,991
Closure	89,017
Insurance	7,633
Miscellaneous	13,277
Total operating disbursements	<u>575,988</u>
Excess of operating receipts over operating disbursements	<u>93,404</u>
Non-operating receipts (disbursements):	
Interest on investments	17,824
Recycling collection center equipment	(35,962)
Building and grounds	(298,744)
Net non-operating disbursements	<u>(316,882)</u>
Change in cash basis net assets	(223,478)
Cash basis net assets beginning of year	<u>973,296</u>
Cash basis net assets end of year	<u><u>\$ 749,818</u></u>
Cash Basis Net Assets	
Restricted for:	
Closure	\$ 112,393
Postclosure care	211,727
Total restricted net assets	<u>324,120</u>
Unrestricted	<u>425,698</u>
Total cash basis net assets	<u><u>\$ 749,818</u></u>

See notes to financial statement.

Sample Cash County Solid Waste Management Commission

Notes to Financial Statement

June 30, 2005

(1) Summary of Significant Accounting Policies

The Sample Cash County Solid Waste Management Commission was formed in 1973 pursuant to the provisions of Chapter 28E of the Code of Iowa. The purpose of the Commission is to develop, operate and maintain solid waste facilities in Anywhere County on behalf of the units of government which are members of the Commission.

The governing body of the Commission is composed of one representative from each member. The members of the Commission include Anywhere County and the cities of One, Two, Three, Four, Five, Six, Seven and Eight. Each member of the Commission has one vote, except for Anywhere County and the City of Three, which each have six votes. Currently, the Commission contracts for landfill operations.

A. Reporting Entity

For financial reporting purposes, the Sample Cash County Solid Waste Management Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statement to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise Funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

C. Basis of Accounting

The Sample Cash County Solid Waste Management Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Commission in accordance with U. S. generally accepted accounting principles.

D. Net Assets

The following accounting policy is followed in preparing the Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Assets.

Restricted Cash Basis Net Assets – Funds set aside for payment of closure and postclosure care are classified as restricted.

(2) Cash and Pooled Investments

The Commission's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

At June 30, 2005 the Commission had the following investments:

Type	Fair Value	Maturity
Federal National Mortgage Association (FNMA)	<u>\$ 200,000</u>	October 2005

In addition, the Commission had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$149,818 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk. The Commission's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Commission.

Credit risk. The Commission's FNMA investment at June 30, 2005 is rated AAA by Moody's Investors service. The investment in Iowa Public Agency Investment Trust is unrated.

Concentration of credit risk. The Commission places no limit on the amount that may be invested in any one issuer. More than 5 percent of the Commission's investments are in the Federal National Mortgage Association. The Commission's investment in the Federal National Mortgage Association is 57 percent of the Commission's total investments.

(3) Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the Commission is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$2,023, \$1,935 and \$1,453, respectively, equal to the required contributions for each year.

(4) Closure and Postclosure Care

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and postclosure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Commission have been estimated to be \$243,797 for closure and \$551,763 for postclosure, for a total of \$795,560 as of June 30, 2005. The estimated remaining life of the landfill is 8.3 years, with approximately 82.4 percent of the landfill's capacity used at June 30, 2005.

Chapter 455B.306(8)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun to accumulate resources to fund these costs and, at June 30 2005, assets of \$324,120 are restricted for these purposes, of which \$112,393 is for closure and \$211,727 is for postclosure care. They are reported as restricted cash basis net assets on the Statement of Receipts, Disbursements and Changes in Cash Basis Net Assets.

Also, pursuant to Chapter 567-111.3(3) of the IAC, since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Commission must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 57-111.8(7) of the IAC allows a government to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

(5) Solid Waste Tonnage Fees Retained

The Commission has established an account for restricting and using solid waste tonnage fees retained by the Commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2005, the Commission had no unspent tonnage fees.

(6) Risk Management

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The Commission's annual contributions to the Pool for the year ended June 30, 2005 were \$7,133.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with the employee blanket bond in the amount of \$20,000. The Commission assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Landfill Operator Contract

The Sample Cash County Solid Waste Management Commission has entered into a contract with Anywhere County Management Services, Inc. for the operation of the landfill. Under the contract, the contractor is to operate the landfill site in compliance with all applicable laws, rules and regulations. The contractor is to furnish all labor, tools and equipment necessary for operation, except for recycling responsibilities. For these services, the operator was paid \$272,880 during the year ended June 30, 2005.

(8) Compensated Absences

Commission employees accumulate a limited amount of earned but unused vacation leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation payments at June 30, 2005 was \$2,100. This liability has been computed based on rates of pay in effect at June 30, 2005.

**Independent Auditor's Report on
Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Sample Cash County Solid Waste Management Commission



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Independent Auditor's Report on
Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Sample Cash County Solid Waste Management Commission:

We have audited the accompanying financial statement of the Sample Cash County Solid Waste Management Commission as of and for the year ended June 30, 2005, and have issued our report thereon dated September 20, 2005. Our report expressed an unqualified opinion on the financial statement which was prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sample Cash County Solid Waste Management Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Sample Cash County Solid Waste Management Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sample Cash County Solid Waste Management Commission's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with

those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the members and customers of the Sample Cash County Solid Waste Management Commission and other parties to whom the Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Sample Cash County Solid Waste Management Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A.VAUDT, CPA
Auditor of State

September 20, 2005

Sample Cash County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2005

Findings Related to the Financial Statement:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One person has primary control over charge accounts, including billing, deposit preparation, posting transactions to accounting records and reconciling payments to receivable records.

Recommendation – The Commission should designate a member of the Board to provide additional control through review of financial transactions to help ensure accounts receivable charges and payments on account are properly recorded and deposited intact.

Response – As per the auditor's request, the Commission has developed a procedure where the Director will review totals from the receipt ledger against the manual totals figured by Scale Office Personnel. Discrepancies will be reviewed and reconciled.

The Director will also review the Account Receivable Aging Report each month to make sure payments are being properly recorded to charge accounts. Letters will be sent to accounts that are past due over sixty days.

Conclusion – Response accepted.

Other Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.
- (2) Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of Commission money for travel expenses of spouses of Commission officials or employees were noted.
- (4) Commission Minutes – No transactions were found that we believe that should have been approved in the Commission minutes but were not.
- (5) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Commission's investment policy were noted.

Sample Cash County Solid Waste Management Commission

Schedule of Findings

Year ended June 30, 2005

- (6) Solid Waste Fees Retainage – During the year ended June 30, 2005, the Commission used or retained the solid waste fees in accordance with Chapter 455B.310(2) of the Code of Iowa.
- (7) Financial Assurance – The Commission has elected to demonstrate financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-111.6(9) of the Iowa Administrative Code (IAC). The calculation is made as follows:

	Closure	Postclosure
Total estimated costs for closure and postclosure care	\$ 243,797	551,763
Less: Balance of funds held in the local dedicated fund at June 30, 2004	<u>125,000</u>	<u>120,000</u>
	118,797	431,763
Divided by the number of years remaining in the pay-in-period	<u>÷ 3</u>	<u>÷ 3</u>
Required payment into the local dedicated fund for the year ended June 30, 2005	39,599	143,921
Balance of funds held in the local dedicated fund at June 30, 2004	<u>125,000</u>	<u>120,000</u>
Balance of funds required to be held in the local dedicated fund at June 30, 2005	<u>\$ 164,599</u>	<u>263,921</u>
Amount Commission has restricted and reserved for closure and postclosure care at June 30, 2005	<u>\$ 112,393</u>	<u>211,727</u>

Iowa Department of Natural Resources rules and regulations require deposits into the closure and postclosure accounts be made at least yearly, and the deposits shall be made within 30 days of the close of each fiscal year. The required deposit was made September 9, 2005.

Recommendation – The Commission should demonstrate financial assurance by designating amounts sufficient to comply with the Iowa Administrative Code requirements. In addition, the Commission should ensure deposits are made within 30 days of the fiscal year end to comply with Iowa Department of Natural Resources rules and regulations.

Response – Sample Cash County Solid Waste Management Commission has our engineering consultants do the estimates for financial assurance. The engineers have been using figures as if the deposit had already had been made for the prior year, when in fact the deposit had not been made by June 30th. In 2006, the Commission will hold the vote in May in order to get funds moved prior to the June 30th end of the fiscal year.

Conclusion – Response accepted.

Sample Cash County Solid Waste Management Commission

Staff

This audit was performed by:

John Q. Tickmark, CPA, Manager
Terry Tickmark, CPA, Staff Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State